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ABSTRACT

The Conservative Government's education reforms of the past 6 years in England and Wales, beginning with the Education Reform Act of 1988, embody a strategy designed to pursue the following 5 themes: quality, diversity, increased parental choice, and greater school autonomy and accountability. The government's rationale for reform makes no explicit reference to equity; rather, the issues of quality and choice are cited as the forces for change. The reforms have introduced approaches to school-based management within a tightly regulated framework. This paper examines three dimensions of the reforms that impinge on equity conceived in terms of resource allocation: formula funding, increased marketization of the schools sector, and school-based budgeting. A conclusion is that each of these reforms poses considerable consequences for equity. It seems plausible to suggest that a major question for the future will be how schools in different circumstances achieve a balance between concerns for efficiency in terms of aggregate educational achievement and concerns for equity embodied in a more "leveling" approach to resource allocation. The equity consequences of the reforms depend on the interactions of parents, students, school managers, and teachers in a wide variety of situations across the country. Contains 41 references. (LMI)

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# Equity and efficiency: tensions in school-based school management in England and Wales

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# Equity and efficiency: tensions in school-based school management in England and Wales

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## The Context of Reform

The Conservative Government's education reforms of the past six years in England and Wales, commencing with the Education Reform Act of 1988 and continuing with a number of further substantial pieces of legislation, embody a strategy designed to pursue its 'five great themes' of 'quality, diversity, increasing parental choice, greater autonomy for schools and greater accountability' (DFE 1992: 2).

The reforms comprise a number of key components. At their organisational core lies the concept of school-based management. All schools – more than 90% of the total – which were previously administered by local education authorities (LEAs) are being given a substantial degree of autonomy. This takes one of two forms each of which, in Brown's (1990) terms, involves both organisational and political decentralisation of power. In the weaker version – called local management of schools (LMS) – schools are given wide powers over the management of resources: school budgets, and most aspects of personnel and premises management are, or shortly will be, managed at the level of the individual school. These powers are delegated to governing bodies containing representatives of parents, teachers and the local education authority (LEA) as well as co-opted members; headteachers are responsible to these bodies. Under LMS, however, schools remain under the umbrella of the LEA which, among other things, is responsible for funding them through a local formula which has to be approved by the Department for Education, for employing the teachers (although governing bodies have full responsibilities for appointments and dismissals) and for managing capital works.

In contrast, under the other, more radical, form of school-based management – grant-maintained schools (GMS) – schools can 'opt out' of local authority control to be funded centrally by the Department for Education. The governing bodies of such schools are effectively independent, owning their premises and employing their staff in addition to the powers which LMS governors have. To date only a minority of schools have chosen the GMS route despite the Government's preference for it.[1]

These approaches to school-based management are being introduced within a tightly regulated framework. First, all schools are being made much more

explicitly subject to market pressures, through a significant increase in the opportunities for parents to express preferences about the school they wish their child to attend. Secondly, however, this market is being firmly controlled through the implementation of a National Curriculum through which the key elements of learning are being prescribed for all students aged 5 to 16 and a national system of testing for students aged 7, 11, 14 and 16 is being established. Finally, much more public information is being made available about schools. Examination and test results and other information – for example about 'non-authorised absences' – is to be published regularly in a standard format on a school-by-school basis; schools are required to publish to parents a range of information about their philosophy and provision; and all schools are to be subject to inspection every four years with the results published.

Taken together, then, these reforms represent a radical and multi-faceted attempt to address concerns about the quality of schooling in England and Wales. The theory underlying the strategy they embody matches quite closely that which Wohlstetter and Odden (1992 p 530) argue underpins many school-based management initiatives in United States:

> [P]roductivity and effectiveness can be enhanced if clear outcome goals are set at the top of the system, ... implementation is decentralized to the school site where services are delivered, and accountability is structured either with rewards for accomplishing goals and sanctions for not or through parental choice of school.

As this quotation suggests, the prime stated purpose of the reforms is to raise the quality of education provision in schools. How far they will succeed depends on a number of complex factors (Simkins, 1994 and in press). However, it is important to recognise that the reforms also have important equity implications. Indeed, it could be argued that, despite the Government's strong emphasis on the objectives of increasing effectiveness, efficiency and choice in the school system, it will be equity considerations which are likely to dominate the debate as the consequences of the reforms begin to work through.

This paper will attempt to provide a framework for considering these issues. It begins by exploring the meaning of the term 'equity' with particular reference to its uses in relation to resource distribution. It then explores the central aspects of the reform – formula funding, increased 'marketization' of the schools sector, and school-based budgeting – from an equity perspective before drawing some conclusions.

## The Meaning of Equity

A useful starting point is to equate the concept of equity broadly with those of fairness and justice (Le Grand, 1991, ch 2). This in itself, however, does not take us very far. First, a distinction clearly needs to be made between procedural and distributional equity – the former concerning fair treatment in terms of rules and procedures, the latter concerning fairness in the distribution of resources. With respect to the former, it can be argued that the distribution of resources by formula is now 'more equitable in that it is based on objective criteria (in the sense that the criteria are set out as common rules and not determined by administrative discretion)' (Levacic 1992: 27). This paper, however, will concentrate on distributional equity where the issues are both more complex and less clear.

Distributional equity can be treated in a number of ways, with terminology often confusing and inconsistent. A useful starting point is the distinction between horizontal equity (the equal treatment of equals), and vertical equity (the unequal treatment of unequals). For those who value equity as an objective this distinction is relatively uncontroversial but it does not take us very far, although it does highlight some key questions. For example:

- how are 'equals' and 'unequals' to be defined? What categories are to be used and what criteria will distinguish between them?
- what does 'equal treatment' mean? Does it mean identical or equivalent for example? Should it be conceived in terms of resource provision, of access to opportunities, of the actual experiences individuals undergo or of the outcomes which result?
- how should treatment vary between unequals and why?

Wildavsky (1979) conflates these questions in distinguishing between 'market equity' under which services are distributed in relation to citizens' (tax) contributions, 'equal opportunity' under which services are distributed equally among users, and 'equal results' under which resources are distributed in ways which attempt to ensure that all benefit equally and that inequalities in starting points are compensated for. A more thorough approach, however, can be developed on the basis of the work of Wise (1967, ch 8) as explored by Monk (1990, Ch 2). Wise and Monk discuss nine definitions of equality of opportunity. Essentially these address the problem in two ways. The first, which defines equality of opportunity in terms of resource inputs, comprises:

- the 'equal expenditure per student' definition;
- the 'maximum variance' definition: placing a limit on the permitted variance

in expenditure per student;

- the 'foundation definition': a prescribed minimum level provided to all, normally defined in terms of expenditure per student;
- the 'classification definition': treating equally all members of specified categories, whether these be defined in terms of need, ability to benefit or some other variable.

In policy terms such expenditure-based approaches to funding for equity are attractive, not least because they can be fairly easily made operational. Admittedly, the more sophisticated foundation and classification definitions do not resolve the questions identified above in relation to horizontal and vertical equity, but they do make clear that the focus of attention is on the central policy concern of expenditure levels. Viewed in economic terms, however, they leave a good deal to be desired. In particular, they do not address the issue of the relationship between expenditure, educational processes and learning outcomes. In other words, they do not account for the fact that the distribution of resources in a particular way does not in itself guarantee that educational opportunities, let alone outcomes, will reflect this distribution.

Divergence may occur for a number of reasons. Students may be unwilling to utilise the resources offered or teachers and others may not have the capacity to make the best use of the potential which the resources provide. The first possibility raises a conception of equity which relates to 'deserts' or 'merit': why should those unwilling to make use of the resources provided receive them at the expense of those who are willing? The second draws attention to the importance of the qualitative dimension of resource allocation which may be embodied in such variables as teacher motivation or qualifications or school climate: equal expenditure does not guarantee equality of provision in these terms. To overcome such qualifications it is necessary to consider definitions of equality of opportunity which incorporate some view about the outcomes to which the resources are intended to contribute. Wise identifies four such definitions:

- the 'minimum attainment' definition: sufficient resources should be provided to enable all students to reach a minimum level of attainment;
- the 'full opportunity' definition: resources should continue to be provided until the marginal gains of all students are reduced to zero;
- the 'levelling' definition: resources should be provided in inverse proportion to students' ability to benefit so that variances in achievement are minimised;
- the 'competition' definition: resources should be provided in proportion to the students' ability to benefit.

**Table 1**
**DEFINITIONS OF EQUITY**

| | *Input-based* | *Outcome-based* |
|---|---|---|
| *Equality* | Equal expenditure (strong)<br>Maximum variance (weak) | |
| *Baseline* | Foundation | Minimum attainment |
| *Differential* | Classification | Full opportunity<br>Competition<br>Levelling |

If we consider the input- and outcome-based definitions together, they can be seen to fall into three categories (see Table 1). Two of the input-based definitions (equal expenditure and maximum variance) are essentially concerned with resource *equality* rather than equity. Indeed, most would agree that they are likely to be inequitable in their consequences unless the maximum variance is quite large, in which case the definition would need to provide also some rationale for determining and using the variance.

The minimum attainment definition could be viewed as a stronger, outcome-based form of the foundation definition. It is unlikely, in fact, to imply an equal basic level of expenditure for all because different levels of expenditure will be required to enable students of different abilities to achieve defined minimum levels of performance. Furthermore, its equity implications are strictly limited: all students are offered the opportunity to achieve a minimum level of attainment, but the definition says nothing about the distribution of opportunities beyond this. It can, however, provide an essential point of focus if there is concern about levels of achievement among lower attainers.

The remaining definitions embody more general rules for distribution. The classification definition is essentially a restatement of the concepts of horizontal and vertical equity which leaves the key questions raised by these definitions unanswered beyond a requirement that 'treatment' be defined in terms of expenditure. The remaining definitions focus explicitly on benefits. To educators the 'full opportunity' definition is inherently attractive. It bears some resemblance to the often stated goal of enabling each student to achieve his or her

potential. However, as Monk points out, this definition is replete with problems: it is very difficult to operationalise, it places a virtually unlimited demands on resources with no guidance about rationing if resources are insufficient, and its equity consequences are potentially serious if, as seems probable, individuals' ability to benefit varies markedly.

This leaves us with the 'levelling' and 'competition' definitions. These are particularly interesting because they provide clear rules for distributing scarce resources and they also embody clear distributional values. If we assume that there is to be a fixed budget to be allocated, and if we assume further that students have different capacities to benefit in terms of learning from a given level of resourcing, then there is a clear choice between a 'competition' policy which maximises total learning among those who receive the resources and a 'levelling' policy which results in a lower level of variance in individual learning outcomes but at the cost of a lower total level of learning for the whole population. Brown and Saks (1975) used essentially the same ideas to distinguish between individual teachers who are 'elitists' and those who are 'levellers', while Strike, taking a more general position, characterises 'two general ways of thinking about justice in the allocation of education resources – utilitarianism and justice as fairness.' (Strike, 1988, p 174). The former position – whether defined as 'elitist', 'competitive' or 'utilitarian' – leads to patterns of educational investment designed to maximise productivity through relating resources to individuals' ability to profit. The latter – whether defined as 'levelling' or 'justice as fairness' – leads to investments designed to promote equality of outcomes through relating resources to need.

Clearly it might be contested whether a competition definition could be said to embody any concept of equity at all. If we think of equity in terms of 'deserts' or 'merit' rather than that of need then perhaps it could. The argument, however, is fairly tenuous. Certainly, such an approach is inconsistent with Le Grand's argument that a situation is normally regarded as inequitable 'if individuals receive less than others because of factors beyond their control' (Le Grand, 1991, p 86). It seems more helpful to consider the competition and levelling definitions as reflecting objective sets which give different emphases to efficiency (defined in terms of potential learning gain from the application of resources) and equity (defined in terms of compensation for circumstances of disadvantage which are beyond the individual's control). In shorthand terms, the distinction between 'elitists' and 'levellers' is the relative emphasis they place on individuals' potential to benefit and their need.

## Educational Reform and Equity

How can these various concepts of equity be related to the educational reforms in England and Wales? As has already been indicated, the reforms are complex, comprising a number of components of change, some of which may be felt to be in tension. Their equity consequences, not surprisingly, are therefore both difficult to untangle and predict. Broadly, however, they are likely to be a product of the interaction of three inter-related components of the reforms: formula funding, increased parental choice of school and school-based management. This view may seem surprising: surely the key change is the implementation of a National Curriculum whose purpose is to ensure for almost all children a basic curriculum entitlement between the ages of 5 to 16, accompanied by a testing regime designed to monitor the achievements which result? To some degree this is clearly true: the National Curriculum does to a degree embody a kind of 'foundation' definition of curricular content, but it neither prescribes nor guarantees the minimum level of resourcing which should be made available to make this curricular guarantee meaningful (National Union of Teachers, 1992a and b). Furthermore, the National Curriculum is currently being reviewed with the aim of making it simpler and less comprehensive. The prime determinants of the equity consequences of the reforms, therefore, are not the curriculum itself but the mechanisms through which it is resourced.

The prime determinant of the block budget of the school which a child attends is the *funding formula* which the relevant LEA is required to use to allocate resources among its schools[2]. The consequences of formula funding for an individual school, however, depend not simply on the design of the formula – an essentially static concept – but also on the nature of *the school's 'market'* where choices made by parents, and other factors, influence the size and composition of the school's student body. The formula and local market circumstances, therefore, interact to determine broadly the distribution of resource opportunities among schools in a particular area and how these change absolutely and relatively over time. Such opportunities need to be considered broadly: clearly budgetary levels are important, but in addition, any full analysis of the resource position of a particular school – and hence of the degree of equity between schools – should also take account of such factors as the quality of resources it can attract (in terms, for example, of teacher experience and qualifications) and the characteristics of its student body, given evidence about peer group effects on achievement (Monk, 1990, pp 364-370).

Such factors, however, only determine the degree of equity between schools in

the system and hence place constraints on the opportunities which schools can provide for individual students. The actual opportunities provided to any individual student within these constraints depend on a *school's internal resource allocation policies* and, in particular, on how the school chooses to use the freedoms given to it under the school-based management component of the reforms. Such policies will reflect the school's philosophy and objectives, including an explicit or implicit understanding of equity issues, but increasingly these are likely to be coloured by perceptions of the effects of particular policies on the school's market position.

The rest of this paper will consider in turn each of these variables – the funding formula, the 'market' and resource allocation within schools. Some reference will be made to empirical evidence about the consequences of the reforms, but the main concern will be to unpack the equity issue and to identify the research questions which need to be addressed if the debate about equity is to be carried forward.

## Formula Funding

It is a requirement of the legislation that all schools be funded by formulae which are 'simple, clear and predictable in their impact... [and are] based on an assessment of a school's objective needs, rather than on historic patterns of expenditure in order to ensure that resources are allocated equitably (DES, 1988, para 104). It has already been noted that there is a sense of procedural equity here. In addition, some clear ideas about distributional equity are built into the rules to which all formulae must conform. At least 80% of the budget must be allocated on the basis of the number and ages of students, with the remaining 20% (or less) available to compensate for students' special needs and circumstances and for the diseconomies associated with small schools.

The importance given in the legislation to funding schools by formula gives both the Government and LEAs the opportunity to express key values and policies through the details of formula design. Thus, for the Government primacy is given to horizontal equity of inputs among students of the same age with some vertical differentiation between students of different ages and – insofar as the 20% limit allows – among those with with different needs irrespective of age. LEAs, however, have the opportunity to exercise discretion – and hence pursue their own values – through the age weightings they use, the ways in which they define and protect small schools, and the ways in which students with special needs and/or those suffering from socio-economic disadvantage are supported

(Thomas and Levacic, 1991; Thomas and Bullock, 1992). There are differences among LEAs in all these areas: absolute levels of funding per student at each age differ considerably between LEAs (Bullock and Thomas, 1992; Levacic, 1992), small schools are protected in a number of ways (Thomas and Bullock, 1992), and students with special educational needs and those suffering from socio-economic disadvantage are supported through a variety of mechanisms which vary in the criteria used and do not distinguish consistently between these two kinds of need (Lee, 1992; Thomas and Bullock, 1992).

The equity consequences of formula funding, then, raise a number of issues. For example, how appropriate is age as the prime determinant of need? If it is appropriate, do formulae adequately reflect the needs of different age groups? And how far do differences among LEA formulae lead to inequity among students with similar needs living in different parts of the country (Bullock and Thomas, 1993)?[3] These questions are not easy to answer, but two points can usefully be made. First, it seems clear that the majority of formulae interpret the requirement for 'objectivity' in relatively narrow way: in terms of clear specification of the components and relationships in the formula so that its outcomes can be predicted, rather than in terms of a clearly defined needs-based specification of the components. There appear to be two reasons for this. First, the constraints imposed by the Government in its search for simple formulae have precluded the design of formulae based on any complex assessment of need. Secondly, and probably more important, LEAs in designing their formulae have generally attempted to reflect earlier patterns of resource allocation. In part, no doubt, this has been because such patterns were deemed to reflect long established – albeit qualitative – assessment of relative need. More important, though, has been the determination to minimise the difficulties of transition to formula-based funding in a situation where, for most LEAs, few if any additional resources were available. Thus the reaffirmation of earlier patterns of choice has been reinforced by the pressures to minimise the number of 'losers' and, therefore, the number of 'winners', with the consequence that the key elements of most formulae owe more to history than to any attempt to assess needs afresh.

Some studies, have begun to explore the issue of need from first principles. For example, Kelly (1992) develops a model on the basis of assumptions about curriculum provision, maximum group sizes, required contact time for teaching-related activities and for management, and provision for special educational needs. This generates an increased funding requirement for both primary and secondary sectors, but with a proportionately greater increase for primary schools. Other LEAs are now undertaking similar studies and reaching similar

conclusions (eg Sheffield, 1992; Jesson and Levacic, 1993). The basis of such conclusions, of course, derives from professional judgement about input requirements rather than from any empirically-established relationship between resource inputs and learning or other outcomes. It does, however, take us beyond analysis based simply on historical expenditure patterns, to a debate about need-based funding, especially in relation to the primary sector. Any resolution of this debate, however, seems a long way off in a climate of tight public expenditure control which makes any substantial redistribution of resources among age groups unlikely.

A second set of questions about formula funding concern that proportion of the budget which is not allocated on the basis of students' ages. How do the rules for this relate to particular definitions of need? And how far does the restriction of such allocations to 20% of the budget affect the distribution of resources among students with different needs? LEAs differ considerably in the ways they treat these factors, as indeed they do in their age-weightings and in the amount spent per student unit. Furthermore, the ability to meet differential need adequately is limited by the requirements to allocate the bulk of the budget on the basis of AWPUs and to make the formula simple and objective (Lee 1992).

Formula funding, therefore, both embodies certain Government assumptions about equity – in particular the importance of procedural equity in allocating resources to schools and concepts of horizontal and vertical equity which give primacy to classification of students by age. On the other hand, it leaves room for considerable variations in the resources which schools receive as LEAs differ both in the amounts they allocate per student, in the relativities they establish between resourcing levels for different age groups and the ways in which they treat other variables relating to need. An important determinant of the resources available for the individual child, therefore, remains the place where he or she lives. Allowing for this, resourcing levels are made more predictable – although not necessarily more equitable – by formula funding. The design of the formula, however, is only part of the story.

## Increased Parental Choice

Analyses of the assumptions underlying formula design are helpful, but they are also limited in that they take an essentially static view of funding formulae. They do not really get to grips with the dynamics which formula funding *linked to increased parental choice* sets in train.

The main reason, of course, why the Government has chosen to tie formula

funding so closely to student numbers is to make schools more responsive to parental wishes. The formula approach to funding is, therefore, intended to have consequences for school size: popular (and hence 'good') schools will grow while unpopular schools will contract and eventually close. This raises two equity issues. The first concerns the equity consequences of unplanned changes in school size. As has already been noted, formula design is essentially a static affair. It is assumed that schools *of a particular size* have particular needs. Certainly most formulae attempt to protect small schools through a variety of devices: for example, by additional lump sums given to small schools, by sliding scales of additional resources related to school size and/or by some limited protection against the consequences of the employment of staff whose salaries are higher than the average. Such protection is limited, however, and must compete with other needs – compensation for disadvantage, for example – which also need to be funded by the 20% of the budget which need not be driven by student numbers.

The question needs to be asked then whether, as schools expand or contract, the quality of opportunity which can be made available to students will remain the same. A number of points are relevant here:

- how will scale economies and diseconomies affect the extensiveness (ie the range of curriculum areas which can be offered) and the intensiveness (ie class sizes and other per-student resourcing levels) of the curriculum which can be offered and the opportunities for teachers to have adequate non-contact time?
- how will changes in school size, especially if these are perceived to be associated with school quality, affect the ability of different schools to attract high quality staff?
- similarly, how will perceived changes in the market position of schools affect the composition of the student group and hence the peer group effects which are known to have an important influence on achievement?

This last point raises the second key theme concerning the dynamics of change: whether a school grows or declines will depend in part – and sometimes substantially – on the degree to which it can maintain its market position in terms of attractiveness to parents. The dynamics of change, therefore, must be considered in the context of parental choice and school response. There is a growing body of research on parental choice in the United Kingdom (Glatter *et al*, 1992), but only relatively recently has research begun on school responses to such choice and the interactions which occur in the 'competitive arenas' which are developing as a result (Glatter and Woods, 1993; Woods, 1992). The issues emerging from this research can only be touched on here. Two points are of

particular importance. First, parental preferences seem to be differentiated, among other things, by social factors (Glatter and Woods, 1993), suggesting that schools seeking to respond to parental preferences may need to take quite fundamental decisions about *which parents'* preferences should receive priority (assuming, of course, that certain types of preferences are incompatible in terms of of their policy and resource allocation implications), and, indeed, which groups of parents they wish particularly to attract.

Secondly, schools faced with increased competition have a number of strategies available to them (Glatter, 1993; Woods, in press). As a minimum they are likely to pursue 'scanning' strategies to find out more about their markets and the factors which influence parents' preferences, and many will pursue 'promotional' activities designed to raise their schools' profiles. Beyond this, they may change substantively what they do in an attempt to match more closely the perceived preferences of parents (more will be said about this below). Finally a school might attempt to change the characteristics of its student body through the ways in which it manages its admission policies or its policies in relation to the exclusion of students who are disruptive or have other behavioral problems. Some schools have always had a selective intake: in some parts of the country students have been selected for the more academic 'grammar' schools on the basis of tests at the age of 11 with the remainder of the age group (the large majority) going to 'secondary modern schools'. In most areas, however, schools are 'comprehensive': they apply no formal test of ability or achievement at the point of entry and the primary determinant of the school a child attends is his or her place of residence.

The introduction of open enrollment and increased competition, however, opens the possibility of the more 'popular' schools selecting their students. Initially the Government was cautious about such developments: the concept of schools selecting students rather than parents selecting schools seemed inconsistent with the rhetoric of a policy of parental choice. It was made clear, for example, that City Technology Colleges[4] and comprehensive schools which go GM would not be allowed to become selective in their intake. The position is subtly changing, however. Research on both CTCs (Walford and Miller, 1991) and GM schools (Bush, *et al,* 1993) has found that schools which are oversubscribed are able to influence the socio-economic and/or academic composition of their intake without using formal entrance examinations or tests[5]; while one small-scale study of LMS schools shows how some schools may actively attempt to change the composition of their student body in order to improve their market position (Deem, *et al*, 1993)[6]. There is growing evidence, too, that the number of

exclusions of children with behavioral difficulties is rising (Stirling, 1992; Imich, 1994), although it would be premature to link this trend to the effects of increased competition, and the Government has recently discouraged exclusion except in exceptional cases.

The effects on equity of the increased 'marketization' of education has been widely commented upon elsewhere (eg Jonathan, 1989, 1990; Ball, 1993b) and evidence is emerging only slowly. The issues are important and this is the arena in which the debate about the balance between efficiency (or quality) and equity is likely to become sharpest, with the question of quality *of what* and *for whom* becoming a major issue. It should not be assumed, however, that the broader school system is the only arena in which these issues will be played out. Much less researched and debated – yet also of considerable importance – is the 'internal arena' of the individual school.

**School-based Management**

According to the Government '[e]ffective schemes of local management will enable governing bodies and head teachers to plan their use of resources ... to maximum effect in accordance with their own needs and priorities, and to make schools more responsive to their clients ...' (DES, 1988, para 9) This will 'increase the quality of education by making more effective use of the existing resources for teaching and learning' (ibid, para 23). Whether school-based budgeting will indeed achieve improved quality of schooling is an important empirical question which cannot be addressed here (see Simkins, 1994 and in press). Freedom to allocate resources internally in relation their own perceived needs and priorities, however, also has potential implications for equity. Whatever the systems-level equity consequences of the reforms, school-based management gives individual schools the power, at least to a degree, to reinforce or mitigate these through the internal resource allocation policies which it pursues.

Very little has been written, particularly in Britain, about the values, priorities and assumptions which underly such policies. However, there can be little doubt that in most schools equity considerations play an important part in them. To explore such issues in more detail, a number of questions could be asked. For example:

- which groups of students and which aspects of the curriculum are resourced most favourably, through smaller class sizes or other forms of additional resourcing?
- what factors determine the ways in which teachers are allocated among

groups?

- how are special needs defined and resourced? What is balance between provision for students with different levels of ability or differences in socio-economic background?
- how are choices about the allocation of resources discussed? Is the emphasis on need (particularly in relation to relative disadvantage, however defined) or in terms of the contribution which particular resources can make to increases in achievement? If the latter, *whose* achievement is emphasised?

In exploring such questions, a number of the concepts of equity outlined earlier are likely to be relevant. Many aspects of resource provision in schools seem to be predicated on equal expenditure assumptions – for example the aim (which may not be easy to achieve) of equalizing class sizes in a primary school or the allocation of the teaching materials budgets on a strict per-capita basis in a secondary school. On the other hand, planned differentiation of resource inputs also occurs – for example through differentiating class sizes among student groups with different perceived levels of ability or providing additional staff and other resources for students with special educational needs. Where such differentiation occurs it is interesting to speculate (little evidence is available) on whether the rationale for such policies is based solely on input-based ideas about equity – most obviously through compensation for various forms of disadvantage – or on more sophisticated output-based ideas which attempt to relate, in however vague a way, resourcing strategies to their likely learning outcomes. If the latter makes any contribution at all to resourcing policies then Brown and Saks' (1975) ideas about 'elitist' and 'levelling' strategies gain considerable potential relevance at the school, as well as the classroom, level.

How does all this relate to the consequences of the reforms? First, SBM gives many schools much greater freedom to pursue their own equity values through their internal resourcing policies. Such values may be embodied in their general policies on resource distribution or in specific policies for meeting the special needs of particular student groups. With respect to the latter, the ability to make free choices about the use of block budgets means that schools will need to give particular consideration to the opportunity costs of educating children with special needs in terms of their provision for the student population as a whole. There is some evidence that rates of statementing[7] and of the number of students taught outside mainstream schools may also be rising, and a number of authors argue that these trends are symptoms of increasing pressures on the ablity of schools to provide adequately for students with special needs (Evans and Lunt, 1993). New regulations will require schools to specify in some detail their

policies for identifying, assessing, providing for and monitoring the '18 per cent' of students who have special needs which are insufficiently severe to require a statement (DFE, 1994). This will, no doubt, lead to equity issues receiving more explicit attention in school development plans. However, the resource demands of the proposed procedures are formidable, and there is a 'danger that the gap between well-resourced schools with comparatively few pupils with special needs and schools struggling with large numbers of pupils in need will grow wider than ever' (Peter, 1994).

Secondly, however, such policies must be pursued within the broader framework provided by formula funding and the market. It has been suggested in the previous section that one way that schools may respond to their market circumstances is to change substantively what they do in response to their perceptions of parental preferences. Such changes may be designed to affect the school's performance in terms of the published indicators or of other factors which are valued by parents. One study found that such changes, drawn from a variety of schools, 'include alterations to homework policy, the introduction of banding [tracking], emphasis on the caring and pastoral aspects of schooling, encouragement of staff to gain more qualifications, increased stress on extra-curricular activities and greater community access to school facilities' (Glatter and Woods, 1993, p. 15). Many such changes may be effectiveness-enhancing as the Government intends and hopes. However, it is also possible that a school's strategies may have equity consequences.

For example, if, as the Government appears to intend, the increasing publicity being given to the publication of test and examination results has the effect of changing parents' preference functions so that these results dominate further their perceptions of the quality of education provided by particular schools, it is possible, or even likely that increasing numbers of schools will give consideration to how performance on these indicators might best be influenced. A number of responses is clearly possible. The school might take the indicator as a given and attempt to influence the way in which it is interpreted by parents of existing and potential students, perhaps by providing contextualising information to explain areas of apparently 'poor' performance and complementary information about aspects of performance which the published indicators do not pick up. Such a strategy may or may not be successful. If not, there will be an incentive for some schools to explore ways of raising their 'scores' on such indicators. This could move them to internal resource allocation strategies which are 'elitist' – emphasising ability to benefit – rather than 'levelling' – emphasising need in their consequences.

Ball (1993a) argues that the empowerment of schools under SBM and the parallel disempowering of the LEA has the effect of 'privatizing' to a significant extent the responsibility for determining the social values – including those relating to equity – on which educational policy is based to the level of the independent 'school in the market place'. While this is still only partly true[8], it is certainly the case that LMS and GM status raise considerably the stakes attached to schools' internal resource allocation policies and give rise to important questions about the micro-politics of the school (Ball, 1987) and how these evolve under the reforms.

## Conclusions

As was pointed out at the beginning of this paper the Government's rationale for its reforms in England and Wales makes no explicit reference to equity: it is the twin issues of quality and choice which are claimed to drive the reforms. Yet the very comprehensiveness of the changes being implemented makes it inherently implausible that they will be neutral in equity terms. Predicting the consequences of the reforms, however, is far from easy. The concept of equity is itself many-faceted, and the comprehensive nature of the reforms provides a variety of mechanisms through which equity might be enhanced or reduced. This paper has focussed on three dimensions of the reforms which impinge in particular on equity conceived in terms of resource distribution: formula funding, increased 'marketization' of the schools sector and school-based budgeting.

Formula-funding clearly embodies the concept of procedural equity but it has distributional consequences too. At the heart of the formula-funding system is an input-based definition of equity with students classified primarily on the basis of age. The relative values applied to students of different ages seem to relate more to historical patterns of expenditure than detailed specifications of need, although an increasing amount of work is suggesting that primary students are disadvantaged by traditional expenditure patterns especially when these are related to the requirements of the National Curriculum. Additional provision is made in formulae to compensate for other factors, especially diseconomies arising from small size of school and the needs of children with special educational needs or from disadvantaged backgrounds. However, a maximum of 20% of the funds distributed to schools may be used to compensate for such factors and it is far from clear that this is always sufficient to ensure that the needs of vertical equity are fully met.

The implications of formula-funding become more complex when placed in the context of increased parental choice of school. Decisions taken by parents and other factors in a school's 'market' will determine whether a school's roll increases or declines. Changes in school size in themselves may affect the range and quality of opportunities which schools can offer their students. However, beyond this, perceptions of a school's present and prospective market position may affect its ability to attract and retain high quality staff and may also have an effect on the social and academic composition of its student body. The equity consequences of these qualitative factors may be considerable.

Formula-funding within a context of increased 'marketization', then, presents school managers with considerable challenges. The policies which they develop internally to address the issue of equity cannot be conceived in isolation from the changing environmental pressures to which the school is subject. Little evidence is available – and, indeed, it is very early – to predict how schools' will adjust their internal allocation policies to ,the new situations in which they find themselves. However, it does seem plausible to suggest that a major question for the future will be how schools in different circumstances achieve a balance between concerns for efficiency in terms of aggregate educational achievement – and the potentially 'elitist' implications of such concerns – and concerns for equity embodied in a more 'levelling' approach to resource allocation.

The equity consequences of the reforms, then, depend on the actions and interactions of parents, students, school managers and classroom teachers in wide variety of circumstances across the country. Research on these themes is beginning to develop in some areas – for example in relation to parental choice and its consequences. However, a resource perspective has the potential to take our understanding further, especially if it focusses on two key questions:

- how does the interaction between formula funding and parental choice influence the resources available to schools, quantitatively, qualitatively and in relation to the composition of the student intake, and how do these factors evolve over time to affect the distribution of educational opportunities among students attending different schools?
- what equity values do schools embody in their internal resource allocation policies and how are these affected by the external environments within which particular schools operate?

## NOTES

1 By the end of 1993 about 15% of secondary schools and 1% of primary schools had achieved grant-maintained status.

2 The LEA formula applies to LMS schools only. However, GM schools are funded by the Department for Education broadly on the same basis as they would have been funded if they had remained with their LEA.

3 This issue is being addressed – with difficulty – as the Government struggles to develop a 'common funding formula' for GM schools.

4 City Technology Colleges (CTCs) were established under the 1988 Act to enable business to sponsor schools which would specialise in technological and other particular aspects of education. However, with little business support forthcoming the initiative foundered with only a very small number of CTCs established.

5 A common approach is to interview parents and/or students to determine their motivational characteristics in relation to schooling.

6 It is too early to draw firm conclusions about these kinds of effects for the majority of schools in England and Wales which are still under LEA control through LMS schemes. For these schools admissions policies are operated by the LEAs and not the schools themselves. However, new Government regulations will allow schools to introduce a limited degree of selection (up to 10% of their intake on the basis of ability in one or more of music, art, drama and physical education) without seeking permission to do so.

7 Around 2 per cent of pupils are assessed for 'statements' which require LEAs to ensure that specific levels of resourcing are provided to meet their individual needs.

8 LEAs retain important powers in relation to admissions to LMS schools and special needs provision in relation to LMS and GM schools.

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